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**SCHAKOWSKY CONTINUES TO COMBAT WASTE AND ABUSE
AT DEPARTMENT OF DEFENSE**

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL), ranking Democrat on the Government Efficiency Subcommittee, today stated that a General Accounting Office report that uncovered abuse of purchasing cards at the Department of Defense is "just the tip of the iceberg." "

Below is Schakowsky's full Subcommittee statement:

"Thank you Mr. Chairman for convening this hearing. I must say, I am somewhat dismayed by the information reported by the General Accounting Office today. It seems that the capacity for abuse of purchasing within the Department of Defense knows no bounds. It is likely that this is just the tip of the iceberg.

"The two agencies examined in this report, the Space and Naval Warfare Systems Center and the Navy Public Works Center, have abused the trust of Congress. The purchase card program gave agencies the flexibility to do on the spot purchasing from local merchants instead of working through the Government Services Administration procurement lists. The assumption was that agencies would be good stewards of its funds, and that the flexibility would make the agency more efficient. Instead, these agencies have turned the program into a free-for-all where employees felt free to buy everything from pizza to palm pilots and charge it to the government.

"These abuses would not be possible without the purchase card program. If any of these employees had tried to purchase these items through the traditional requisition system they would have been stopped immediately. I suspect, no one would even try to requisition a luxury brief case at government expense.

"Why then did this happen? The fault lies squarely on management's desk. These agencies operated in an environment where there was no accountability. No one was reviewing the purchases to determine if they were appropriate or efficient use of government funds. Management did not put into place a system of accountability, and as a result, abuse flourished.

"This report indicates that there is a need for a broader examination of purchase cards within the Department of Defense, and across the entire government. This report shows that the purchase card system is easily abused when management creates an environment where accountability is absent. Abuse, however, is not the only problem."

"The purchase card program rests on the assumption that agencies will use them

wisely. It is appropriate to use the purchase card in an emergency to replace a hard drive or some specialized item that is not routinely on the GSA schedules. These cards may well be increasing the cost of doing business if convenience is substituted for price comparisons. The GSA schedules are designed to get the government the best price possible by leveraging the large size of government purchases. If agencies are routinely finding items in local stores that beat the price on the GSA schedules then something is wrong at GSA. On the other hand, if agencies are routinely paying more with purchase cards for items on the schedules, then the agency accountability has failed.

"The purchase card was instituted government wide over 10 years ago. It is time for GAO to do a thorough review of the system to determine its strengths and weaknesses. Is the program fulfilling its stated purpose, or has it become a substitute for working through GSA, and in the process had the unintended consequence of increasing the cost of government business? GAO has told us that purchase cards will account for nearly \$20 billion in purchases in this fiscal year or the next. If there is 5% waste in these purchases that is a billion dollars of waste. Today, we have been told about the abuse. I hope our next hearing will also tell us whether or not this is an effective system."